

UNITED OVERSEAS INSURANCE LIMITED
 (Incorporated in the Republic of Singapore)
 Company Registration Number: 197100152R

To: All Shareholders

The Board of Directors of United Overseas Insurance Limited wishes to make the following announcement:

1. UNAUDITED RESULTS FOR THE NINE MONTHS/THIRD QUARTER ENDED 30 SEPTEMBER 2006

	Group					
	9 Months 2006 \$'000	9 Months 2005 \$'000	Incr/ (Decr) %	3rd Qtr 2006 \$'000	3rd Qtr 2005 \$'000	Incr/ (Decr) %
(a) Gross premiums written	54,623	54,303	0.6	13,504	12,160	11.1
Net earned premiums	14,129	14,876	(5.0)	5,722	6,604	(13.4)
Less/(Add) :						
Net claims incurred	4,914	6,417	(23.4)	2,182	3,756	(41.9)
Net commissions	(3,730)	(2,531)	47.4	(243)	(214)	13.6
Management expenses :						
Staff cost	3,024	2,988	1.2	992	1,020	(2.7)
Rental expenses	340	338	0.6	114	113	0.9
Management fees	87	121	(28.1)	23	27	(14.8)
Depreciation	273	270	1.1	91	90	1.1
Foreign exchange loss/(gain)	20	(9)	NM	9	(8)	NM
Other operating expenses	13	(198)	NM	3	(443)	NM
Underwriting profit	9,188	7,480	22.8	2,551	2,263	12.7
Gross dividends from investments	3,346	2,920	14.6	817	978	(16.5)
Interest income	2,926	1,999	46.4	1,045	726	43.9
Miscellaneous income	10	8	25.0	3	4	(25.0)
Realised gains on investments at fair value through profit or loss	3,963	2,914	36.0	647	339	90.9
Realised gains on available-for-sale investments	-	228	(100.0)	-	-	-
Unrealised (losses)/gains on investments at fair value through profit or loss	(400)	6,681	(106.0)	1,830	3,535	(48.2)
Less/(Add) :						
Management expenses not charged to insurance revenue account:						
Management fees	337	327	3.1	109	113	(3.5)
Other operating expenses	185	236	(21.6)	72	77	(6.5)
Exchange differences	(76)	(42)	81.0	(136)	(1)	NM
Provision for valuation adjustment - Scheme for transfer (UOI/OUI)	-	1,500	(100.0)	-	-	-
Profit before tax	18,587	20,209	(8.0)	6,848	7,656	(10.6)
Less: Tax expense	3,639	4,032	(9.7)	1,324	1,213	9.2
Net profit	14,948	16,177	(7.6)	5,524	6,443	(14.3)

Note : NM = Not Meaningful

(b) Annualised earnings per share (cents) **48.9** 52.9 **54.2** 63.2

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2. BALANCE SHEET

	<u>Group</u>		<u>Company</u>	
	<u>30-Sep-06</u>	<u>31-Dec-05</u>	<u>30-Sep-06</u>	<u>31-Dec-05</u>
	\$'000	\$'000	\$'000	\$'000
(a) Share capital - Issued & fully paid	40,770	40,770	40,770	40,770
Reserves	<u>111,003</u>	<u>98,834</u>	<u>108,913</u>	<u>96,542</u>
	151,773	139,604	149,683	137,312
Deferred tax liabilities	5,713	4,685	5,713	4,685
Technical balances				
Reserve for unexpired risks	34,383	29,245	33,540	28,350
Outstanding claims	97,720	<u>95,378</u>	96,414	<u>93,964</u>
	132,103	124,623	129,954	122,314
Current liabilities				
Insurance creditors	15,728	<u>7,288</u>	15,374	<u>7,013</u>
Non-trade creditors & other payables	3,917	3,290	3,871	3,246
Deferred acquisition cost - reinsurers	5,199	4,466	5,062	4,324
Amount owing to a related company	-	113	-	113
Tax payables	6,427	<u>5,865</u>	6,356	<u>5,865</u>
	31,271	21,022	30,663	20,561
Total equity and liabilities	<u>320,860</u>	<u>289,934</u>	<u>316,013</u>	<u>284,872</u>
Fixed assets	570	795	570	795
Investment in subsidiary	-	-	4,940	4,940
Available-for-sale investments	47,755	36,293	47,755	36,293
Non-current debtors	41	56	41	56
Statutory deposit	500	500	500	500
Unsecured term loan	29	31	29	31
Reinsurers' share of technical balances				
Reserve for unexpired risks	20,163	16,031	19,534	15,371
Outstanding claims	56,405	<u>54,332</u>	55,204	<u>53,050</u>
	76,568	70,363	74,738	68,421
Current assets				
Insurance debtors	8,628	<u>6,321</u>	8,355	<u>5,986</u>
Non-trade debtors and other receivables	1,196	1,010	1,164	1,006
Amount owing by related companies	-	52	26	144
Deferred acquisition cost - gross	3,683	3,486	3,478	3,274
Investments at fair value through profit or loss	89,438	97,724	89,438	97,724
Cash and cash equivalents	92,452	<u>73,303</u>	84,979	<u>65,702</u>
	195,397	181,896	187,440	173,836
Total assets	<u>320,860</u>	<u>289,934</u>	<u>316,013</u>	<u>284,872</u>
(b) Net asset value per share (S\$)	3.72	3.42	3.67	3.37

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3. GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital \$'000	General reserve \$'000	Available- for-sale investment reserve \$'000	Foreign currency translation reserve \$'000	Retained profits \$'000	Total \$'000
Balance at 1 January 2006	40,770	16,880	17,871	358	63,725	139,604
Net valuation gain taken to equity	-	-	4,109	-	-	4,109
Foreign currency translation differences	-	-	-	(365)	-	(365)
Net gains/(losses) not recognised in profit and loss accounts	-	-	4,109	(365)	-	3,744
Net profit	-	-	-	-	14,948	14,948
Total recognised gains/(losses) for nine months ended 30 September 2006	-	-	4,109	(365)	14,948	18,692
Dividend for Year 2005	-	-	-	-	(4,892)	(4,892)
Dividend for Year 2006	-	-	-	-	(1,631)	(1,631)
Balance at 30 September 2006	40,770	16,880	21,980	(7)	72,150	151,773
Balance at 1 January 2005	40,770	15,880	-	219	46,228	103,097
- as previously reported	-	-	13,150	-	9,354	22,504
- effect of adopting FRS 39	40,770	15,880	13,150	219	55,582	125,601
- as restated	-	-	932	-	-	932
Net valuation gain taken to equity	-	-	-	250	-	250
Foreign currency translation differences	-	-	932	250	-	1,182
Net gains not recognised in profit and loss statement	-	-	-	-	16,177	16,177
Net profit	-	-	932	250	16,177	17,359
Total recognised gains for nine months ended 30 September 2005	-	-	932	250	16,177	17,359
Dividend for Year 2004	-	-	-	-	(4,892)	(4,892)
Dividend for Year 2005	-	-	-	-	(1,631)	(1,631)
Balance at 30 September 2005	40,770	15,880	14,082	469	65,236	136,437

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3. GROUP STATEMENT OF CHANGES IN EQUITY (Cont'd)

	Share capital	General reserve	Available- for-sale investment reserve	Foreign currency translation reserve	Retained profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2006	40,770	16,880	19,281	14	68,257	145,202
Net valuation gain taken to equity	-	-	2,699	-	-	2,699
Foreign currency translation differences	-	-	-	(21)	-	(21)
Net gains/(losses) not recognised in profit and loss accounts	-	-	2,699	(21)	-	2,678
Net profit	-	-	-	-	5,524	5,524
Total recognised gains/(losses) for the quarter ended 30 September 2006	-	-	2,699	(21)	5,524	8,202
Dividend for Year 2006	-	-	-	-	(1,631)	(1,631)
Balance at 30 September 2006	40,770	16,880	21,980	(7)	72,150	151,773
Balance at 1 July 2005	40,770	15,880	13,260	429	60,424	130,763
Net valuation gain taken to equity	-	-	822	-	-	822
Foreign currency translation differences	-	-	-	40	-	40
Net gains not recognised in profit and loss accounts	-	-	822	40	-	862
Net profit	-	-	-	-	6,443	6,443
Total recognised gains for the quarter ended 30 September 2005	-	-	822	40	6,443	7,305
Dividend for Year 2005	-	-	-	-	(1,631)	(1,631)
Balance at 30 September 2005	40,770	15,880	14,082	469	65,236	136,437

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4. COMPANY STATEMENT OF CHANGES IN EQUITY

	Share <u>capital</u> \$'000	General <u>reserve</u> \$'000	Available- for-sale investment <u>reserve</u> \$'000	Retained <u>profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 January 2006	40,770	16,880	17,871	61,791	137,312
Net valuation gain taken to equity	-	-	4,109	-	4,109
Net gains not recognised in profit and loss accounts	-	-	4,109	-	4,109
Net profit	-	-	-	14,785	14,785
Total recognised gains for nine months ended 30 September 2006	-	-	4,109	14,785	18,894
Dividend for Year 2005	-	-	-	(4,892)	(4,892)
Dividend for Year 2006	-	-	-	(1,631)	(1,631)
Balance at 30 September 2006	40,770	16,880	21,980	70,053	149,683
Balance at 1 January 2005					
- as previously reported	40,770	15,880	-	44,637	101,287
- effect of adopting FRS 39	-	-	13,150	9,354	22,504
- as restated	40,770	15,880	13,150	53,991	123,791
Net valuation gain taken to equity	-	-	932	-	932
Net gains not recognised in profit and loss accounts	-	-	932	-	932
Net profit	-	-	-	16,066	16,066
Total recognised gains for nine months ended 30 September 2005	-	-	932	16,066	16,998
Dividend for Year 2004	-	-	-	(4,892)	(4,892)
Dividend for Year 2005	-	-	-	(1,631)	(1,631)
Balance at 30 September 2005	40,770	15,880	14,082	63,534	134,266

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4. COMPANY STATEMENT OF CHANGES IN EQUITY (Cont'd)

	Share <u>capital</u> \$'000	General <u>reserve</u> \$'000	Available- for-sale <u>investment reserve</u> \$'000	Retained <u>profits</u> \$'000	<u>Total</u> \$'000
Balance at 1 July 2006	40,770	16,880	19,281	66,261	143,192
Net valuation gain taken to equity	-	-	2,699	-	2,699
Net gains not recognised in profit and loss accounts	-	-	2,699	-	2,699
Net profit	-	-	-	5,423	5,423
Total recognised gains for the quarter ended 30 September 2006	-	-	2,699	5,423	8,122
Dividend for Year 2006	-	-	-	(1,631)	(1,631)
Balance at 30 September 2006	40,770	16,880	21,980	70,053	149,683
Balance at 1 July 2005	40,770	15,880	13,260	58,801	128,711
Net valuation gain taken to equity	-	-	822	-	822
Net gains not recognised in profit and loss accounts	-	-	822	-	822
Net profit	-	-	-	6,364	6,364
Total recognised gains for the quarter ended 30 September 2005	-	-	822	6,364	7,186
Dividend for Year 2005	-	-	-	(1,631)	(1,631)
Balance at 30 September 2005	40,770	15,880	14,082	63,534	134,266

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5. CASH FLOW STATEMENT

	Group			
	9 Months	9 Months	3rd Qtr	3rd Qtr
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	\$'000	\$'000	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	18,587	20,209	6,848	7,656
Adjustments for :				
Foreign currency difference on reserve for unexpired risks	(9)	7	-	1
Increase/(decrease) in reserve for unexpired risks (net of deferred acquisition cost)	1,551	972	(604)	(1,675)
Depreciation	273	270	91	90
Realised gains on investments at fair value through profit or loss	(3,963)	(2,914)	(647)	(339)
Realised gains on available-for-sale investments	-	(228)	-	-
Unrealised losses/(gains) on investments at fair value through profit or loss	400	(6,681)	(1,830)	(3,535)
Gross dividends from investments	(3,346)	(2,920)	(817)	(978)
Interest income	(2,926)	(1,999)	(1,045)	(726)
Exchange differences	291	(300)	(113)	(47)
Operating cash flow before working capital change	10,858	6,416	1,883	447
Changes in working capital :				
Trade and other receivables	(2,478)	572	3,386	2,603
Creditors and claims	9,336	7,314	(2,018)	(792)
Amount owing by related companies	52	-	-	-
Amount owing to related companies	(113)	-	-	-
Cash generated from operations	17,655	14,302	3,251	2,258
Tax paid	(3,077)	(2,199)	(456)	(1,017)
Net Cash Inflow From Operating Activities	14,578	12,103	2,795	1,241
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments at fair value through profit or loss	21,574	25,815	7,974	10,120
Proceeds from sale of available-for-sale investments	-	281	-	-
Purchase of investments at fair value through profit or loss	(9,631)	(24,311)	(2,612)	(4,718)
Purchase of available-for-sale investments	(6,325)	-	(5,017)	-
Purchase of fixed assets	(48)	(7)	(33)	(6)
Unsecured term loan	2	3	2	3
Gross dividends from investments	3,346	2,920	817	978
Interest income	2,926	1,999	1,045	726
Net Cash Inflow From Investing Activities	11,844	6,700	2,176	7,103
CASH FLOW FROM FINANCING ACTIVITY				
Dividend paid	(6,523)	(6,523)	(1,631)	(1,631)
Cash Outflow From Financing Activity	(6,523)	(6,523)	(1,631)	(1,631)
Translation difference on foreign subsidiary company	(365)	250	(21)	40
Net increase in cash and cash equivalents	19,534	12,530	3,319	6,753
Cash and cash equivalents at beginning of period	73,303	57,551	89,156	63,554
Effects of exchange rate changes on cash and cash equivalents	(385)	269	(23)	43
Cash and cash equivalents at end of period	92,452	70,350	92,452	70,350

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6. SEGMENT INFORMATION

The Group is principally engaged in the business of underwriting general insurance business. No segment information by geographical location has been presented as the Group's overseas operations in Hong Kong are relatively insignificant.

7. REVIEW OF PERFORMANCE

Gross premiums increased slightly by S\$0.32 million or 0.6% to S\$54.62 million as compared with the same period last year. This was achieved despite a reduction in renewable premiums which were more than offset by the premiums derived from new businesses which continued to expand encouragingly in the face of stiff competition.

Underwriting profit rose by S\$1.71 million or 22.8% to S\$9.19 million due to lower net incurred claims and higher recovery of commission from reinsurers. Non-underwriting income decreased by S\$3.33 million or 26.2% to S\$9.40 million largely due to unrealised losses on investments classified as "Fair Value Through Profit or Loss" securities under the accounting standard FRS39 – "Financial Instruments : Recognition and Measurement" in the current period as compared to unrealised gains in the corresponding period last year.

As at the end of the third quarter of 2006, the provision of S\$1.50 million made early last year for valuation adjustment arising from the Scheme for Transfer involving the Company and Overseas Union Insurance, Limited remained adequate.

Overall profit before tax decreased by S\$1.62 million or 8% to S\$18.59 million due to lower investment income.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between 30 September 2006 and the date of this announcement which is likely to affect substantially the results of the Company and the Group for the current financial period.

8. PROSPECTS FOR THE NEXT REPORTING PERIOD AND THE NEXT 12 MONTHS

Intense competition is likely to continue in the domestic market resulting in reduced premiums and lower underwriting profits. In the recent past, renewals had traditionally contributed to the increase in premium income. Under the prevailing competitive environment, the organic growth factor would appear to have turned negative. Consequently, to sustain future growth, the premium generated from new businesses will have to be more than that required to offset the loss of premiums from renewals. Non-underwriting income is expected to move in line with sentiments in the financial markets. Nevertheless, the Company's profitability in both underwriting and investment income can be expected.

9. ACCOUNTING POLICY

The financial statements, expressed in Singapore dollars are prepared in accordance with Singapore Financial Reporting Standards (FRS). The accounting policies and computation methods adopted in the financial statements for the nine months ended 30 September 2006 are the same as those adopted in the audited financial statements for the financial year ended 31 December 2005.

10. DIVIDEND

No dividend has been declared for the third quarter ended 30 September 2006.

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11. CONFIRMATION BY DIRECTORS

The Board of Directors of the Company hereby confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited group financial results for the nine months/third quarter ended 30 September 2006 to be false or misleading.

BY ORDER OF THE BOARD

MRS VIVIEN CHAN
SECRETARY

Dated this 30th day of October 2006